

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-02 INR-07 NSAE-00 CG-00 OFA-01 DLOS-05 TRSE-00

/035 W

----- 045306

R 031548Z JUN 75

FM AMEMBASSY OSLO

TO SECSTATE WASHDC 9819

INFO AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY STOCKHOLM

USMISSION OECD PARIS

UNCLAS OSLO 2246

E.O. 11652: N/A

TAGS: EWWT, EFIN, NO

SUBJ: SHIPOWNER REKSTEN'S FINANCIAL DIFFICULTIES

1. NORWEGIAN ARBITRATION COURT AWARDED ON JUNE 2 TO THE AKER GROUP 320 MILLION CROWNS (\$64 MILLION) PLUS 10 PERCENT ANNUAL INTEREST IN SETTLEMENT FOR 4 SHIP CONSTRUCTION CONTRACTS WITH AKER CANCELLED BY SHIPOWNER HILMAR REKSTEN. OTHER ARBITRATION PROCEEDINGS FOR FURTHER REKSTEN CONTRACTS WITH AKER ARE STILL UNDERWAY. AWARD FALLS ON REKSTEN, HIS TWO SONS, AND ON HIS MANAGEMENT COMPANY. SINCE MANAGEMENT COMPANY DOES NOT OWN SHIPS, REKSTEN FAMILY WILL PRESUMABLY HAVE TO RAISE MONEY PERSONALLY WHICH IS SAID TO COMPLICATE MATTERS FOR REKSTEN.

2. IN RELATED MOVE PARLIAMENT AUTHORIZED GOVERNMENT TO PURCHASE UP TO 200 MILLION CROWNS (\$40 MILLION) IN STOCK AND OTHER PAPER OWNED BY REKSTEN IN OTHER NON-REKSTEN COMPANIES. THESE SECURITIES ARE UNDERSTOOD TO BE HELD BY AMBROS BANK OF ENGLAND AS COLLATERAL AGAINST LOANS MADE TO REKSTEN. REKSTEN IS REPORTED TO BE NEGOTIATING THE SALE OF SOME OF THESE SECURITIES TO MEET OUTSTANDING UNCLASSIFIED

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OBLIGATIONS. SECURITIES ARE UNDERSTOOD TO INCLUDE

40.000 CROWNS IN SHARES OF NORSK HYDRO, AN IMPORTANT HOLDING IN THE STORE NORSKE SPITZBERGER KULKOMAANI (THE BIG COAL COMPANY OF SVALBARD), AND INTERESTS IN OTHER COMPANIES.

3. COMMENT- ARBITRATION AWARD IS SAID TO FAVOR AKER WHICH IS BIGGEST SHIPBUILDING CONCERN IN NORWAY EMPLOYING ALMOST 12,000 AND WHICH IS ENCOUNTERING SERIOUS DIFFICULTIES IN CURRENT SHIPPING DEPRESSION. SHIPOWNERS ARE CONCERNED ABOUT PRECEDENT IT ESTABLISHES FOR HIGH PRICE FOR CANCELLATION OF ORDERS FOR SHIPS'S SHIPOWNERS ALSO TEND TO CONSIDER DECISION TO BUY REKSTEN SECURITIES BACKDOOR NATIONALIZATION AND BELIEVE GOVERNMENT IS TAKING UNFAIR ADVANTAGE OF DEPRESSED SHIPPING MARKET. BYRNE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SHIPS, ARBITRATION, CONSTRUCTION, COURT DECISIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OSLO02246
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750195-0319
From: OSLO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750686/aaaadasx.tel
Line Count: 76
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 27 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 FEB 2003 by PhilliR0>; APPROVED <27 JAN 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SHIPOWNER REKSTEN'S FINANCIAL DIFFICULTIES
TAGS: EWWT, EFIN, NO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006